

THE BORDEN COMPANY

ANNUAL REPORT 1958



OUR 102nd YEAR



Contents

Directors, Officers, Committees	2
Corporate Data	2
Message of Chairman and President	3
Profits and Sales	4
Dividends	4
Modernization, Expansion ...	5
Working Capital	6
Foreign Operations	6
Advertising	7
Employee Benefit Programs ..	7
Research	8
Product Development	9
Company Ownership	11
Safety	11
Management	12
Litigation	12
Canada	13
Ten Year Summary	14
Balance Sheet	16
Income and Earned Surplus ..	18
Notes to Financial Statements.	19
Auditors' Report	20
Message to Employees	20

The Borden Company

ANNUAL REPORT 1958

Highlights

	1958	1957
Net Sales*	\$915,024	\$931,221
Net Earnings*	\$24,612	\$23,996
per share	\$5.06	\$4.94
Cash Dividends*	\$13,614	\$13,123
per share	\$2.80	\$2.69
Working Capital*	\$124,255	\$121,102
Ratio:		
Current Assets to Current Liabilities	3.12:1	3.22:1
Number of Stockholders	48,358	48,537
Number of Employees	33,718	35,058
(* 000 omitted)		

The Borden Company

Board of Directors

THEODORE G. MONTAGUE, *Chairman*
HAROLD W. COMFORT, *President*
FRANCIS R. ELLIOTT, *Vice President*
L. MANUEL HENDLER, *Baltimore*
ROBCLIFF V. JONES, *New York*
LESTER LE FEBER, *Milwaukee*
MADISON H. LEWIS, *New York*
THOMAS I. PARKINSON, *Counsellor-at-Law*
HENNING W. PRENTIS, JR., *Chairman of Board,
Armstrong Cork Company*
ALBERT C. SIMMONDS, JR., *Chairman of Board,
Bank of New York*
ROY D. WOOSTER, *Executive Vice President*

EXECUTIVE COMMITTEE: MR. MONTAGUE, *Chairman*;
Messrs. COMFORT, HENDLER, JONES and LEWIS

COMMITTEE ON AUDIT: MR. PRENTIS, *Chairman*;
Messrs. LEWIS, PARKINSON and SIMMONDS

FINANCE COMMITTEE: MR. MONTAGUE, *Chairman*;
Messrs. COMFORT, LEWIS, PARKINSON and SIMMONDS

PENSION COMMITTEE: MR. JONES, *Chairman*;
Messrs. COMFORT, LEWIS, MONTAGUE and WOOSTER

Officers

HAROLD W. COMFORT, *President*
ROY D. WOOSTER, *Executive Vice President*
LEO W. BAYLES, *Vice President*
CECIL I. CROUSE, *Vice President*
FRANCIS R. ELLIOTT, *Vice President*
THEODORE O. HOFMAN, *Vice President*
RAYMOND J. KUNZ, *Vice President*
AUGUSTINE R. MARUSI, *Vice President*
EVERETT L. NOETZEL, *Vice President and Treasurer*
DOUGLAS T. ORTON, *Secretary*
LOUIS CSENGE, *Assistant Vice President*
MILTON FAIRMAN, *Assistant Vice President*
EDWIN S. PATIENCE, *General Controller*
HARRY L. CAMP, *Assistant Treasurer*
KENNETH J. NEAGLE, *Assistant Secretary*

BOARD OF OFFICERS: MR. COMFORT, *Chairman*;
Messrs. CROUSE, CSENGE, ELLIOTT, FAIRMAN,
HOFMAN, KUNZ, MARUSI, NOETZEL,
ORTON, WOOSTER, and HARRY L. ARCHER,
Vice President of Borden's Milk & Ice Cream Company,
and JEAN J. CHAREST, *President of*
The Borden Company, Limited

Corporate Data

EXECUTIVE OFFICES: 350 *Madison Avenue, New York 17, N. Y.*
REGISTERED OFFICE: 117 *Main Street, Flemington, N. J.*
GENERAL COUNSEL: *Milbank, Tweed, Hope & Hadley, 15 Broad Street, New York 5, N. Y.*
AUDITORS: *Haskins & Sells, 67 Broad Street, New York 4, N. Y.*
REGISTRAR: *Bankers Trust Company, 16 Wall Street, New York 5, N. Y.*
TRANSFER AND DIVIDEND DISBURSING AGENT: *The Chase Manhattan Bank,
40 Wall Street, New York 15, N. Y.*

THE COMPANY HAS JUST COMPLETED ITS MOST successful year. Despite the Recession and a slight sales decline, profits reached a new high point. We took further steps to improve efficiency and stimulate the Company's growth. While these moves were influential in 1958, their effect should be greater in the future.

We prepared for expansion into new fields. We are interested in further diversifying our non-milk activities in the U. S., and are planning to establish, for the first time, Borden plants in promising foreign areas for the processing of fresh milk products.

Greater operating efficiency was achieved with the record acquisition of improved plants and equipment. Our five-year expansion and modernization program will continue on schedule in 1959.

The consolidation of our Food Products and Cheese Divisions and the organization of two new regional divisions — the Western and Southern — were successfully completed, and these streamlined operations can be counted on for improved results in 1959.

We continued to strengthen research activities, particularly in the food field. Research expenditures were larger than in any previous year and will be greatly increased in 1959. To encourage long-range research a President's Revolving Fund was established. It will enable operating divisions to undertake special research projects that are not provided for in current divisional budgets.

Several new products, perfected in our laboratories, were introduced and should help us reach the higher sales goals set for 1959.

To support 1959's enlarged activities and objectives we plan to spend more for advertising than ever before.

Our plans look toward continuing growth. We are exploring diversified and more profitable fields of business, while maintaining undiminished in our present operations the attention to efficiency, from which much of the Company's strength is drawn.

Economic conditions are improving. While a few areas may lag behind the general recovery, the food industry should nevertheless forge ahead. Consequently, we anticipate further gains by the Company and look forward to improved results in 1959.

To Our Stockholders and Employees



Theodore G. Montague (left) and Harold W. Comfort

Theodore G. Montague
Chairman of the Board

H. W. Comfort
President

Profits Reach All-Time High;

Sales Near Record Set in 1957

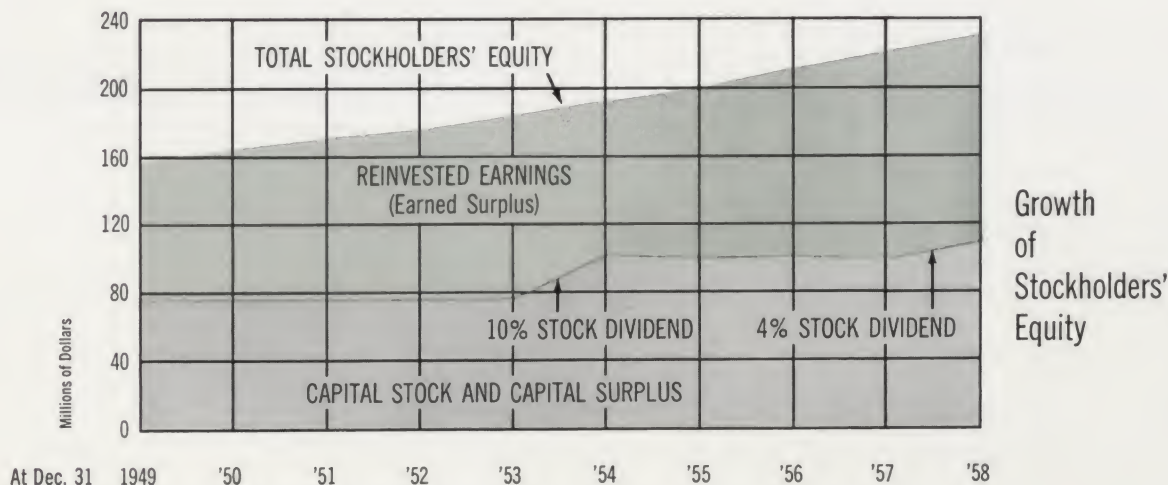
For the third successive year the Company's net income rose to a new high mark in 1958. It was \$24,612,475, an increase of 2.6% over the \$23,996,321 earned in 1957. It was \$5.06 per share, as compared with \$4.94, the 1957 figure after adjustment for the 4% stock dividend paid January 3, 1958. The rate of profit was 2.7 cents per dollar of sales, as compared with 2.6 cents a year before, and the 20-year average of 2.8 cents.

Net income includes \$720,000 representing dividends received from our unconsolidated foreign subsidiaries, after provision for U. S. Federal income taxes. In 1957, net income included a like amount from this source.

Our sales were \$915,024,172, a decline of 1.7% from 1957 record sales of \$931,220,662. Involved in this decline in dollar sales were several factors, the most important of which was the withdrawal from several unprofitable lines of distribution.

Dividend Record

We rounded out 60 years of unbroken dividend payments, our year-end dividend being the 195th since the Company was incorporated in 1899. Dividends of 60 cents a share were paid on March 1, June 2, and September 2, and the year-end dividend of \$1.00 on December 19 for a total of \$2.80, the same cash rate as in 1957. In addition, a 4% stock dividend was paid on January 3, 1958.



To Modernize and Expand; \$150,000,000 Program Moves on Schedule

We completed the second year of our five-year \$150,000,000 modernization and expansion program. To improve efficiency, take care of replacements and provide for growth we acquired new plants and equipment valued at about \$31,700,000. In 1959, the third year of the program, new facilities for these purposes will amount to about \$26,800,000.

Depreciation accruals provided about \$13,900,000 of our 1958 requirements and about \$7,800,000 came from working capital. The remainder of about \$10,000,000—made up mostly of motor vehicles and refrigerating equipment—was acquired by lease.

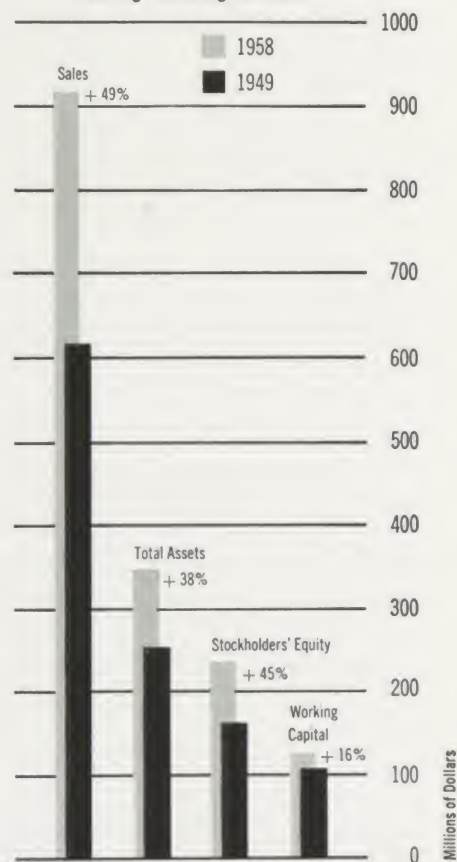
In 1959, depreciation accruals will provide an estimated \$13,600,000 for this program. Some \$6,600,000 will come from working capital, and a similar amount will be obtained by lease.

New domestic plants or major plant additions were undertaken by Borden's Milk & Ice Cream Company at Wilmington, Del.; Orlando, Fla.; Baton Rouge, La.; Syracuse and Watertown, N. Y.; High Point, N. C.; Youngstown, Ohio; and Pittsburgh, Pa. Construction is scheduled to start or has started in 1959 at Tampa, Fla.; New York City; Amarillo and Beaumont, Texas and Milwaukee, Wis.

The Borden Foods Company completed a large, modern cheese plant at Plymouth, Wis. and a substantial enlargement of the Dixon, Ill. plant. Other construction is scheduled for plants at Ft. Scott, Kan.; Wellsboro, Pa.; and Corona, Calif.

A major addition to our polyvinyl chloride facilities at Leominster, Mass. was completed, and plans call for a new polyvinyl alcohol plant there. Our Borden Chemical Company is also building a coatings and adhesives plant at Illiopolis, Ill.

Borden's—Then and Now
Showing Percentage Increase



The Princess of Dairyland and Borden representatives at the groundbreaking for our Milwaukee plant, which will be the largest of its kind in Wisconsin.

RAW PRODUCTS AND INGREDIENTS

\$477,960,729 = 52.2c

FEDERAL INCOME TAXES \$21,632,971 = 2.4c

EMPLOYEES \$178,811,677 = 19.5c



17c DEPRECIATION = \$15,393,749

15c CASH DIVIDENDS = \$13,614,448

12c PUT BACK IN BUSINESS = \$10,998,027

21.5c

OTHER OPERATING EXPENSES = \$196,612,571

How the Borden Sales Dollar Was Used

Working Capital

Working capital reached an all-time high. Current assets of \$182,794,738 and current liabilities of \$58,539,649 (a ratio of 3.12 to 1) left a balance of \$124,255,089 as working capital. It was \$121,102,083 in 1957. Current assets were \$74,005,089 in excess of total liabilities.

New Growth Underway In Foreign Markets



U. S. Marines landing at Lebanon found Borden's KLIM had preceded them, as evidenced by the can extended by a young greeter.

Following a study of opportunities abroad, the Borden Foods Company is expanding its international operations by establishing Borden plants for processing fresh dairy products in several areas outside the country. Behind this program are rising living standards that have introduced mechanical refrigerators to many areas where even the old-fashioned ice box had been rare.

As a pioneer in the international market for manufactured milk products, Borden's has specialized in dry milk, although other foods are handled in smaller quantity, and Borden products are now sold in 107 foreign markets. We now intend to go into the fresh milk product business in several areas where prospects warrant it.

In January, 1959, we made the first move in the program—the acquisition of Holanda, S. A., a prominent Mexican ice cream company, as well as Mixturas, S. A., an ice cream mix producer, both located in Mexico City. Other developments will follow as sound market opportunities are found, and where funds accumulated in our existing foreign companies can be used.

To its foreign chemical operations, now comprised of 11 manufacturing plants plus a number of licensees, the Borden Chemical Company added a new formaldehyde and resin plant in Brazil and new formaldehyde facilities in Mexico. A new methanol plant—also in Brazil, and that country's first—will come on stream in 1959.

Advertising Program Broadened; Plan Top Expenditures for 1959

Our advertising program is geared to the Company's anticipated growth in 1959. With a budget substantially higher than in 1958, or any previous year, we plan to broaden the advertising program, make it more flexible and increase its total impact to provide forceful backing for both new and long established products.

By using virtually all major media, the expanded program will make it possible to strengthen the national campaign by channeling advertising into individual markets. With the flexibility thus provided, we can give stronger support to the "right" product in the right places at the right time.

A national outdoor advertising campaign for fluid milk and ice cream was initiated in February, 1959. Covering all major markets in which these products are sold, billboards will provide a "reminder bridge." It will link the selling messages received in homes — through TV, radio, newspapers and magazines — with the Borden promotion materials displayed in retail stores.

In January, 1959 we intensified our coverage of the youth market by co-sponsoring a second TV show directed to children. The new show is "Ruff and Reddy," which immediately precedes "Fury," our other Saturday morning show on the NBC network.

A closer executive review of our food advertising resulted from the President's appointment of an Executive Advertising Board, which consists of the Director of Advertising and the five corporate officers most concerned with food marketing. During the year the Committee met with each of the principal advertising agencies serving the Company for the purpose of exploring and evaluating current and future programs.



Our first national outdoor advertising campaign was started early in 1959.

The Employee Benefit Programs

The Company's national Employee Benefit Programs, which have proved to be an effective factor in attracting and retaining superior personnel, made record payments to employees and beneficiaries in the plan year ended March 31, 1958. The total benefit payments amounted to \$3,874,739, including \$1,520,187 in retirement income payments.

Effective April 1, 1959 a substantially improved Employees Weekly Accident & Sickness and Accidental Death & Dismemberment Insurance Plan will be introduced to provide larger weekly benefits to employees who are unable to work because of non-occupational accident or sickness, and higher amounts of insurance for accidental death and dismemberment.

Borden's Quarter Century Club membership increased to 6,943 with the addition of 268 new members in 1958. There were 85 veterans, including President Harold W. Comfort and Director Robcliff V. Jones, who completed 40 years of service and two who completed 50 years.

A new nonfat dry milk from our research laboratories, SUPER STARLAC is "quicker than instant" in going into solution.



Report of Research . . .

Research and product development activities were again expanded in 1958. More was spent for this purpose than in any previous year and 1959 budgets are substantially higher. Scientific personnel were added and new projects undertaken. All divisions reflected the conviction that the most promising avenues of growth stem from the laboratory and consumer and market research.

Stimulating progress along these lines was the establishment of the President's Revolving Fund for All-Borden Research and Development. The purpose of the fund is to provide support for special projects over and beyond the current research budgets of operating divisions. When a division "borrows" from the fund it will "pay back" in regular installments so that allocations may be made to other worthwhile projects.

Borden's Milk & Ice Cream Company set up a program to encourage a flow of ideas for new products and product improvements from its many branches throughout the country. Proposals are carefully reviewed and assigned for research when further study seems warranted.

Continued on page 10



Another new Borden product can be transformed from these potato flakes into whipped potatoes in a matter of seconds.

... and Product Developments

New and improved Borden products appeared on store shelves or in industrial channels during 1958 as evidence of the Company's new look at research. Behind their appearance were months of experimentation, market research, pilot runs — and the disappointments and delays experienced in product introductions.

"Borden's Super Starlac", which was perfected and placed in a few markets in 1958, will reach national distribution before mid-1959. Indicated by many tests to be the best product of its kind, it is the Company's bid to recover its supremacy in the non-fat dry milk field, which it pioneered with the original Starlac. Our own research developed "Borden's Super Starlac." However, the broad scope of patent coverage obtained by others on instant milk products led us to enter a licensing agreement. The licensor is Dairy Foods, Inc. Under this agreement we have the right to any present or future developments available to any of its licensees.

"Instant Whipped Potatoes" will also be in national distribution in early 1959. The first such product offered in flake form, it got a promising reception when introduced in 1958.

Continued on page 10

Research *Continued from page 8*

A New Consumer Testing Laboratory was opened as part of the expansion of The Borden Kitchen in New York City. These new facilities provide for a time-saving, economical operation of an employee panel as a preliminary to larger-scale market testing of products. The new laboratory has stirred considerable interest in the food industry, particularly among those who are planning similar facilities.

Research and development work is being stimulated by the active participation of the President's Office. The President heads the Executive Research Committee, which includes the Vice Presidents in charge of the principal operating divisions. His office is represented on the company-wide Research Planning Committee and maintains further liaison in monthly meetings with divisional research heads.

Development *Continued from page 9*

Improvements were made in a number of other food items. While not spectacular, they nevertheless resulted in better products and strengthened our competitive position. For example, we improved our processed cheese slices and natural pre-packaged cheeses, added new cream cheese flavors and packaged them in reusable containers, and developed new leavening agents to improve our refrigerated biscuits.

A number of innovations came from our fluid milk and ice cream operations. Usually developed locally, these innovations are adopted on a wider basis when a good market potential is indicated. For example, two new products — a vegetable salad cottage cheese and a tart cherry ice cream — were generally introduced in early 1959 with the support of national advertising.

A new "Liquid Bremil" brought us into the substantial market for liquid types of infant formula foods. It provides the same pattern of nutrients as our powdered "Bremil", which holds the commanding position in the more limited market for dry products for this purpose.

Among the several other specialized products developed by researchers of our Special Products Division were a new hog feed supplement, the first in the Borden line to carry an active drug ingredient for medication, in addition to growth stimulation, and a new all-purpose poultry feed supplement.

Continued on page 11



Borden Chemical Company, which accounted for about 5% of 1958 sales, completed this polyvinyl chloride plant at Leominster, Mass.



Streamlined loading facilities step up efficiency of Borden's new milk plants.

There were many formulations and products developed in our chemical laboratories. With most of them produced for industry, they bear strange labels, such as "Epiphen Modified Novolac Epoxy Resin." However, they included two new consumer items which any home handyman will recognize — "Elmer's Contact Cement Non-Flammable," for bonding plastic laminates and installing wall panels, and a new vinyl garden hose.

Company Ownership

Capital stock outstanding on December 31 numbered 4,860,000 shares, compared with 4,666,000 a year earlier.

The Company issued 222,404 shares — 186,740 as a stock dividend and 35,664 under the Employees Stock Option Plan. It bought 28,404 more shares than were reissued for a business acquisition, making the net increase 194,000 shares.

At the close of the year there were 48,358 stockholders of record, compared with 48,537 a year earlier. These figures do not include beneficial owners whose stock is listed in the names of brokerage firms, nor those persons who share in ownership through group holdings — such as mutual funds, for example.

The average Borden stock holding was 100 shares, compared to 96 in 1957. No one, to our knowledge, owns as much as one per cent of the stock outstanding.

Safety Performance Best Ever

For the third consecutive year our company-wide safety performance capped previous records, both in our plants and in the operation of our vehicles on the highways.

The principal purpose of our safety program is the prevention of accidents and injuries to our employees and the public. But this fact does not prevent us from seeking other benefits. The elimination of unnecessary accident costs, together with improvement in morale and efficiency are worthwhile objectives in themselves.

Our safety program is a continuing educational and training process, which is integrated with sales and production activities. Company-wide accident statistics give an accurate measurement of our progress. In 1958 these records showed that not only was the frequency of both vehicle and employee injury accidents markedly lower but there were fewer serious accidents.



Hypoallergenic cosmetics were added to Borden's line of prescription products through the acquisition of Marcelle Cosmetics, Inc., Chicago manufacturer.

Changes in Board and Management

Theodore G. Montague, our chief policy making officer, retired on October 1, 1958, following more than 30 years with the Company. He will continue as Chairman of the Board of Directors, a post held since 1956, and as a consultant. Entering the industry in Madison, Wisc., in 1919, he came to New York in 1934 as General Manager of fluid milk operations. He became a Vice President in 1935, and a Director and President in 1937.

Francis R. Elliott, a Vice President of the Company and President of its Borden's Milk & Ice Cream Company, became a Director on January 1, 1959, succeeding Charles A. Eckburg. Mr. Elliott joined the Company's law staff in 1929. He became, in 1932, an executive in our New York fluid milk operations, which he subsequently headed. In 1955 he became General Manager of all fluid milk operations, and assumed his present duties in 1957.

Mr. Eckburg resigned as a Vice President as well as a Director after 30 years with the Company, which he joined after some years in the cheese business in Wisconsin. He was elected a Vice President in 1943 and a Director in 1947. He will continue as Chairman of the Wheeler Cheese Company, a Borden division.



A happy customer savors the new tart cherry-flavored ice cream.

Developments in Litigation

Apart from routine business litigation, there were significant developments in several of the unusual legal actions which engaged the Company during the year.

In Florida, two remaining counts of an anti-trust indictment were dropped by the Government after Borden and other defendant companies had been acquitted on three counts. In New York City, a state anti-trust action against 84 defendants, including Borden, was terminated by a consent decree. In Kansas City, Mo., two civil actions were filed charging Borden and other dairies with violations of the anti-trust laws.

The Federal Trade Commission began hearings on a complaint charging the Company with violating the Robinson-Patman Act in the pricing of its evaporated milk.

The Company is appealing a Federal District Court judgment involving the so-called "windfall profits" received by many cheese concerns when the Government lowered its cheese support prices in 1954. While finding that all had acted in good faith in relying on directives of the U. S. Department of Agriculture, the court nevertheless ordered each to make repayment.

The Company is also defending suits alleging patent infringement brought by a competitor in the cheese business.

Canadian Operations Improve;

Prepare for Future Progress

In 1958 The Borden Company, Limited, of Canada again showed an improvement in dollar sales, volume and earnings. Moreover, it moved to participate fully in the greater prosperity expected in 1959, when Borden's marks the 60th anniversary of its establishment in Canada.

Strengthening the organization was the merger of its former Cheese and Manufactured Products Divisions into a new Food Products Division. In addition to improving service to customers, the consolidation should result in production economies and place greater sales impact behind each product. It also promises more effective and efficient distribution.

Another forward step was the modernization and expansion program provided by the Canadian Company's largest capital expenditures to date. A new \$1,000,000 milk plant, incorporating the most advanced engineering and latest equipment, was constructed to replace former facilities at Montreal. Ice cream manufacturing facilities at Belmont, Ont., were expanded to supply Western Ontario markets previously requiring the output of two less efficient plants. The London, Ont. fluid milk and ice cream operation was enlarged to combine previous facilities with those of a recent acquisition. In line with our replacement program, a significant number of additions were made to our fleet of electrically refrigerated milk trucks.

Sales in 1959 will be aided by new products and backed by larger advertising expenditures, including a national billboard campaign covering all major products. The new Super Starlac will be introduced as soon as the equipment required for it is installed in our Canadian plants — probably early in the Spring. Additional new products are being researched.

In Canada, Borden's Quarter Century Club welcomed 16 new 25-year members and 10 new 40-year members, bringing its rolls to 725.



Architect's sketch of our new Montreal milk plant.

Ten Year Summary

OPERATING

	1958	1957
Sales	\$915,024,172	\$931,220,662
Payrolls	\$178,811,677	\$178,034,224
Taxes (U.S. & Canadian Fed. Income)	\$ 21,632,971	\$ 22,146,164
Depreciation	\$ 15,393,749	\$ 15,573,279
Net Income	\$ 24,612,475	\$ 23,996,321
Per Sales Dollar	2.69¢	2.57¢
Per Share*	\$5.06	\$4.94
Cash Dividends	\$ 13,614,448	\$ 13,123,410
Per Share*	\$2.80	\$2.69

FINANCIAL

Working Capital	\$124,255,089	\$121,102,083
Current Ratio**	3.12:1	3.22:1
Inventories	\$ 67,011,708	\$ 65,043,169
Property and Equipment . .	\$292,358,752	\$282,469,382
Reserves for Depreciation . .	\$139,211,991	\$135,517,724
Net Property and Equipment	\$153,146,761	\$146,951,658
Borrowed Capital	\$ 50,250,000	\$ 52,825,000
Stockholders' Equity . . .	\$231,904,674	\$221,095,165

OTHER

Shares Outstanding	4,860,000	4,666,000
Number of Stockholders . .	48,358	48,537
Number of Employees . . .	33,718	35,058

*Adjusted for 10% stock dividend in 1954 and 4% stock dividend in 1958.

**Ratio of Current Assets to Current Liabilities.

1956	1955	1954	1953	1952	1951	1950	1949
\$876,987,184	\$810,126,624	\$776,838,791	\$792,381,721	\$768,019,612	\$722,770,380	\$631,114,120	\$613,763,267
\$164,966,379	\$153,233,084	\$145,063,306	\$140,063,502	\$134,784,228	\$122,158,335	\$113,004,008	\$109,780,054
\$ 20,951,370	\$ 19,279,450	\$ 23,428,263	\$ 22,102,585	\$ 15,742,410	\$ 19,128,541	\$ 15,731,165	\$ 12,870,762
\$ 15,130,492	\$ 14,282,324	\$ 13,761,179	\$ 13,294,359	\$ 12,301,608	\$ 11,285,846	\$ 10,366,594	\$ 9,661,874
\$ 23,602,746	\$ 21,653,536	\$ 22,724,336	\$ 20,264,156	\$ 17,667,137	\$ 18,080,371	\$ 20,147,073	\$ 21,890,479
2.69¢	2.67¢	2.93¢	2.56¢	2.30¢	2.50¢	3.19¢	3.57¢
\$4.82	\$4.43	\$4.63	\$4.12	\$3.60	\$3.67	\$4.10	\$4.46
\$ 13,216,528	\$ 13,176,366	\$ 12,439,939	\$ 12,034,800	\$ 12,027,145	\$ 12,036,366	\$ 12,019,910	\$ 11,593,320
\$2.69	\$2.69	\$2.53	\$2.45	\$2.45	\$2.45	\$2.45	\$2.36
\$118,232,105	\$119,400,811	\$119,436,523	\$119,578,762	\$115,921,287	\$114,987,211	\$101,355,105	\$106,653,894
3.26:1	3.54:1	3.84:1	3.76:1	3.89:1	3.86:1	3.73:1	4.01:1
\$ 62,167,264	\$ 59,003,108	\$ 53,501,698	\$ 67,971,612	\$ 81,878,083	\$ 73,742,837	\$ 54,906,173	\$ 48,988,814
\$266,579,863	\$247,281,722	\$233,937,180	\$224,276,381	\$219,487,155	\$208,894,814	\$196,471,088	\$181,709,298
\$127,647,295	\$119,172,355	\$111,285,644	\$105,685,809	\$101,724,036	\$ 93,006,980	\$ 86,900,462	\$ 81,504,208
\$138,932,568	\$128,109,367	\$122,651,536	\$118,590,572	\$117,763,119	\$115,887,834	\$109,570,626	\$100,205,090
\$ 52,625,000	\$ 53,750,000	\$ 55,000,000	\$ 57,200,000	\$ 58,750,000	\$ 60,000,000	\$ 45,800,000	\$ 47,200,000
\$212,629,907	\$201,204,674	\$194,021,424	\$185,533,017	\$177,012,551	\$172,017,360	\$166,269,312	\$159,759,940
4,707,000	4,692,000	4,710,000	4,300,000	4,295,000	4,300,000	4,300,000	4,291,000
48,488	48,876	49,430	50,605	51,324	51,479	51,121	52,386
34,160	33,194	32,498	32,465	32,564	32,475	31,545	31,166

Consolidated Balance Sheet

ASSETS

December 31

CURRENT ASSETS:

	<u>1958</u>	<u>1957</u>
Cash	\$ 40,899,899	\$ 38,742,491
United States Government Securities	16,396,874	14,848,434
Receivables	58,486,257	57,082,511
(Less Reserves—1958, \$2,420,451; 1957, \$2,421,039)		
Inventories (Note 2):		
Finished Goods	38,403,345	34,921,986
Materials and Supplies	28,608,363	30,121,183
Total Inventories	\$ 67,011,708	\$ 65,043,169
Total Current Assets	\$182,794,738	\$175,716,605

INVESTMENTS AND OTHER ASSETS:

Unconsolidated Subsidiaries (Note 1)	\$ 1,723,147	\$ 1,723,147
Securities on Deposit	1,517,862	1,516,276
(Pursuant to Workmen's Compensation Laws, etc.)		
Mortgages, Receivables, etc.	5,955,059	6,526,742
Total	\$ 9,196,068	\$ 9,766,165
Less Reserves	324,477	441,908
Net Investments and Other Assets	\$ 8,871,591	\$ 9,324,257

PROPERTY AND EQUIPMENT	\$292,358,752	\$282,469,382
Less Reserves for Depreciation	139,211,991	135,517,724
Net Property and Equipment	\$153,146,761	\$146,951,658

DEFERRED CHARGES	\$ 4,010,705	\$ 4,144,433
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TRADE-MARKS, PATENTS AND GOOD-WILL	\$ 1	\$ 1
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TOTAL	\$348,823,796	\$336,136,954
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See page 19 for notes to financial statements.

THE BORDEN COMPANY and Consolidated Subsidiaries

LIABILITIES

December 31

	<u>1958</u>	<u>1957</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 39,847,806	\$ 36,866,120
Accrued Accounts:		
Taxes (after deducting Treasury Notes equal to U. S. Federal Income Taxes—1958, \$15,900,000; 1957, \$17,300,000) . . .	3,545,946	3,548,915
Other	<u>15,145,897</u>	<u>14,199,487</u>
Total Current Liabilities	<u>\$ 58,539,649</u>	<u>\$ 54,614,522</u>
 LONG-TERM DEBT (Note 3):		
The Borden Company—27/8% Debentures due 1981	\$ 49,000,000	\$ 51,525,000
Subsidiary—3 1/2% Note due 1973	<u>1,250,000</u>	<u>1,300,000</u>
Total	<u>\$ 50,250,000</u>	<u>\$ 52,825,000</u>
 RESERVES (Insurance, etc.) (Note 7)	<u>\$ 8,129,473</u>	<u>\$ 7,602,267</u>
 CAPITAL STOCK AND SURPLUS:		
Capital Stock—par value \$15 per share		
Authorized 8,000,000 shares		
1958	1957	
Issued 5,083,757 shares	4,861,353 shares	
Less Treasury Stock <u>223,757</u> "	<u>195,353</u> "	
Outstanding 4,860,000 shares	4,666,000 shares . .	\$ 72,900,000
Capital Surplus (Note 4)	37,213,184	29,667,522
Earned Surplus (Earnings retained for use in the business)	<u>121,791,490</u>	<u>121,437,643</u>
Total Capital Stock and Surplus	<u>\$231,904,674</u>	<u>\$221,095,165</u>
 TOTAL	<u><u>\$348,823,796</u></u>	<u><u>\$336,136,954</u></u>

Consolidated Income and Earned Surplus

	Year Ended December 31	
	<u>1958</u>	<u>1957</u>
NET SALES	\$915,024,172	\$931,220,662
OTHER INCOME (Includes Interest, Dividends and Royalties— 1958, \$3,141,934; 1957, \$3,531,603)	<u>3,782,094</u>	<u>4,843,148</u>
TOTAL	<u>\$918,806,266</u>	<u>\$936,063,810</u>
LESS:		
Cost of Goods Sold	\$798,423,946	\$814,050,583
Selling, General and Administrative Expenses and Other Charges	72,374,951	74,253,104
Interest Expense	1,761,923	1,617,638
Provision for U. S. and Canadian Federal Income Taxes	<u>21,632,971</u>	<u>22,146,164</u>
TOTAL	<u>\$894,193,791</u>	<u>\$912,067,489</u>
NET INCOME FOR THE YEAR	\$ 24,612,475	\$ 23,996,321
EARNED SURPLUS AT BEGINNING OF YEAR	<u>121,437,643</u>	<u>110,564,732</u>
TOTAL	<u>\$146,050,118</u>	<u>\$134,561,053</u>
DIVIDENDS PAID:		
Cash (\$2.80 a share in each year)	\$ 13,614,448	\$ 13,123,410
Stock (Note 4)	<u>10,644,180</u>	<u> </u>
TOTAL	<u>\$ 24,258,628</u>	<u>\$ 13,123,410</u>
EARNED SURPLUS AT END OF YEAR (Earnings retained for use in the business)	<u>\$121,791,490</u>	<u>\$121,437,643</u>

See page 19 for notes to financial statements.

Notes to Financial Statements

(1) **BASIS OF CONSOLIDATION, ETC.:** The financial statements for 1958 include all domestic subsidiaries and all Canadian operating subsidiaries, the accounts of the latter being converted at par.

The Company's equity in the net assets of its unconsolidated foreign subsidiaries at December 31, 1958 is approximately \$20,000,000 more than its investment in these subsidiaries (after an adjustment of \$160,000 to reflect a decline in the exchange value of the Brazilian Cruzeiro) and its equity in their net income for 1958 (based upon rates of exchange during the year) was about \$3,400,000 which does not contain the above mentioned adjustment. Dividends received from unconsolidated foreign subsidiaries, less applicable U. S. Federal income taxes, are included in net income for 1958 and 1957, in the amount of \$720,000 for each year.

The unamortized portion of the consideration paid for businesses acquired since January 1, 1955 in excess of the values assigned to net tangible assets, \$1,131,815 is included with Deferred Charges.

(2) **INVENTORIES:** In valuing inventories and in determining the cost of goods sold, average costs (reduced to market, if lower) were used, except as to certain products for which the last-in, first-out (Lifo) method was used. The inventory valuations of products on the Lifo basis were less than the current cost of those products by approximately \$5,600,000 and \$7,400,000 respectively, at December 31, 1958 and 1957.

(3) **LONG-TERM DEBT:** The Borden Company shall pay into a sinking fund for its 27½% Debentures due 1981 a sum sufficient to redeem on March 1, 1960, and on each March 1 thereafter, to and including March 1, 1980, \$1,250,000 principal amount of Debentures with the option to increase any payment by an amount not exceeding \$1,250,000. The sinking fund obligation due on March 1, 1959 was satisfied prior to December 31, 1958 by delivery to and cancellation by the trustee of Debentures of a principal amount of \$1,250,000. The Company also has purchased, and holds in its treasury, Debentures of a principal amount of \$2,250,000 which are not shown as outstanding.

The Subsidiary's 3½% Note due 1973 requires the payment of annual installments of \$50,000 on November 15, 1959 (which installment is included in Accounts Payable) and on each succeeding November 15, to and including November 15, 1972.

(4) **CAPITAL SURPLUS:** There was credited to capital surplus during 1958: \$7,843,080, the excess of approximate market price of \$10,644,180 at date of declaration over par value of 186,740 shares of capital stock issued on January 3, 1958 as 4% stock dividend; \$1,363,617, the excess of option price over par value of 35,664 shares issued pursuant to options exercised; and \$18,992, the proceeds from disposal of properties

previously written off against capital surplus. There was charged to capital surplus a net amount of \$1,680,027, in respect of 28,404 shares, representing excess of cost over par value of shares acquired less excess of consideration received over par value of shares issued for a new business.

(5) **EMPLOYEES STOCK OPTION PLAN:** At the beginning of the year, options for the purchase of 133,614 shares of the capital stock of the Company at \$53.23 a share were outstanding and 253,791 shares remained available under the Plan for the granting of additional options. On November 25, 1958, options were granted for 79,475 shares at \$71.50 a share to 905 employees. During the year 1958, 35,654 shares were purchased at \$53.23 a share, and 10 shares were purchased at \$71.50 a share. Options for 1,113 shares were cancelled due to termination of employment. As of December 31, 1958, there were options outstanding for the purchase of 96,847 shares at \$53.23 a share and 79,465 shares at \$71.50 a share, and 175,429 shares remained available for the granting of additional options.

(6) **DEPRECIATION AND RENTALS:** Provision for depreciation charged to operations was \$15,393,749 for 1958 and \$15,573,279 for 1957, and is based upon the Property and Equipment account as shown in the accompanying consolidated Balance Sheet, exclusive of Land in the amount of \$14,184,385 and \$13,843,870 at December 31, 1958 and 1957, respectively. Rentals amounted to approximately \$8,500,000 for 1958 of which \$6,000,000 was related to long term leases.

(7) **INCOME TAX:** The Company, pursuant to the accounting principle promulgated by the American Institute of Certified Public Accountants in July 1958, adopted the policy, effective July 1, 1958, of providing out of income amounts equal to the reduction in Federal income taxes resulting from the use, for income tax reporting only, of the declining-balance method of computing depreciation. The reduction in U. S. income taxes for 1958 was approximately \$1,300,000 of which \$710,000, applicable to the last six months of the year, is included in Reserves (Insurance, etc.). The 1957 reduction was \$960,000.

(8) **EMPLOYEES RETIREMENT INCOME PLAN:** The unfunded lump-sum cost of retirement income for past service which is borne by the Company was actuarially estimated to be \$33,845,000 at the close of the last Plan Year, April 1, 1958. The charge to operations for the year 1958, including \$1,790,000 for the amortization of past-service cost, was \$3,970,000.

(9) **CONTINGENCIES:** The Company was guarantor of bank loans aggregating approximately \$4,550,000 at December 31, 1958. See comment on Page 12 of this Report for information regarding litigation.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET

NEW YORK 4

FEBRUARY 20, 1959.

TO THE BORDEN COMPANY:

We have examined the consolidated balance sheet of THE BORDEN COMPANY and Consolidated Subsidiaries as of December 31, 1958 and the related statement of consolidated income and earned surplus for the year then ended.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, explained in Note 7 to the financial statements) on a basis consistent with that of the preceding year.

Haskins & Sells



We want to congratulate and thank, most sincerely, all of the employees who helped make 1958 a successful year. The organization cooperated wonderfully—everywhere and at all job levels. Hard work and intense interest and pride in the job are signs of genuine Borden loyalty. They become increasingly important as the Company moves ahead in the competitive world of business. From the gratifying experience of the past we know that we can again count on your wholehearted cooperation in 1959 and the years ahead.

Sheldon G. Montague

Chairman of the Board

J. M. Lauffert

President

